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John W. Suomela, *Director*

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Editor, *International Economic Review*
Trade Reports Division/OE, Room 602
U.S. International Trade Commission
500 E Street SW., Washington, DC 20436
Telephone (202) 252-1255

CONTENTS

INTERNATIONAL ECONOMIC COMPARISONS

Summary of U.S. Economic Conditions

Rising productivity and consumer and business spending are slowly pulling the economy out of the recession. U.S. workers' productivity rose at 1.9 percent in the second quarter of 1991, its fastest growth in 3 years, according to the U.S. Department of Labor. Consequently, the nation's total output rose in July by 0.5 percent, the fourth consecutive monthly increase. Meanwhile, to further stimulate business and consumer spending thwarted by tight credit and slow money supply growth, the Federal Reserve further lowered the Federal funds rate by a quarter point to 5.5 percent.

Reassuring signs of recovery have emerged, indicating that consumer and business confidence and spending are strengthening. Consumers spent more in July 1991 than in previous months. The U.S. Department of Commerce reported that housing starts rose in July by 3.7 percent. Commerce also reported that retail sales and durable goods orders rose in July. Retail sales, a major consumer expenditure, rose by 0.5 percent in July 1991, for the third consecutive month after a revised rise of 0.1 percent in June and 1.2 percent in May 1991. Durable goods orders jumped 10.7 by percent in July, the biggest monthly rise in 20 years. There were broad gains in major durable goods producing sectors. Such gains are expected to propagate a stronger recovery that many economists thought was petering out. The major sectors that experienced major gains were transportation equipment (up 25 percent), iron and steel (up 6.4 percent), industrial machinery and equipment (up 1.6 percent), and electronic and electrical equipment up (12.6 percent). Business spending seems to have increased considerably as nondefense capital goods, an indicator of the strength of business investment, rose by a hefty 21.5 percent.

Economic Growth

The annualized rate of real economic growth in the United States in the second quarter of 1991 was 0.4 percent, advancing from a 2.8-percent rate of decline in the first quarter of 1991. In the fourth quarter of 1990, the growth rate was revised to show a decline of 1.6 percent from 2.1 percent estimated earlier. The real growth rate was 1.4 percent in the third quarter, 0.4 percent in the second quarter, and 1.7 percent in the first quarter of 1990. The real growth rate for all of 1990 was 0.9 percent. The annualized rate of real economic growth in the first quarter of 1991 was -2.4 percent in the United Kingdom, 9.7 percent in Germany, 11.2 percent in Japan, -0.1 percent in France, -4.6 percent in Canada, and 1.4 percent in Italy.

U.S. industrial production increased by 0.5 percent in July 1991 after increasing by 0.7 percent in June 1991 and gaining 0.7 percent in May. The July 1991 rise resulted from a significant increase in the output of automobiles, construction supplies and materials. U.S. industrial production increased at an annual rate of 1.7 percent in the second quarter of 1991 after falling sharply in the two preceding quarters. The July 1991 index was 2.5 percent lower than in July 1990. Capacity utilization in manufacturing, mining, and utilities increased in July 1991 by 0.2 percentage points to 79.7 percent. The July 1991 capacity utilization index was 2.6 percent higher than in July 1990.

Other major industrial countries reported the following annual growth rates of industrial production: for the year ending June 1991, Italy reported a decline of 0.9 percent; and Germany reported an increase of 5.4 percent; for the year ending May 1991, Japan reported an increase of 4.3 percent, France reported no increase, the United Kingdom reported a decrease of 6.2 percent, and Canada reported a decrease of 4.2 percent.

Prices

The seasonally adjusted U.S. Consumer Price Index rose by 0.2 percent in June 1991. The consumer price index rose by 4.4 percent during the 12 months ending July 1991.

During the 1-year period ending July 1991, consumer prices increased by 6.8 percent in Italy and 4.5 percent in Germany. During the 1-year period ending June 1991, consumer prices increased by 5.8 percent in the United Kingdom, 3.3 percent in France, 6.3 percent in Canada, and 3.6 percent in Japan.

Employment

The seasonally adjusted rate of unemployment in the United States declined to 6.8 percent in July from 7.0 percent in June and 6.9 percent in May 1991.

In July 1991, Germany reported 6.4 percent unemployment and in June 1991, Canada reported 10.5 percent, Japan reported 2.1 percent, the United Kingdom, 8.1 percent; Italy, 9.9 percent; and France, 9.4 percent unemployment. (For foreign unemployment rates adjusted to U.S. statistical concepts, see the tables at the end of this issue.)

Forecasts

Table 1 shows macroeconomic projections for the U.S. economy for July 1991 to June 1992, by four major forecasters, and the simple average of these forecasts. Forecasts of all the economic indicators except unemployment are presented as percentage changes over the preceding quarter, on an annualized basis. The forecasts of the unemployment rate are averages for the quarter.

Table 1
Projected quarterly percentage changes of selected U.S. economic indicators, 1991

Quarter	UCLA Business Fore-casting Project	Merrill Lynch Capital Markets	Data Resources Inc.	Wharton E.F.A. Inc.	Mean of 4 fore-casts
	GNP Current Dollars				
1991:					
July-September	3.9	6.6	5.6	3.3	4.9
October-December	5.9	7.9	5.4	6.3	6.4
1992:					
January-March	7.5	8.0	6.2	7.7	7.4
April-June	7.1	6.5	5.7	7.1	6.6
	GNP Constant (1982) Dollars				
1991:					
July-September	2.0	3.0	3.3	1.5	2.5
October-December	3.5	4.1	2.9	3.9	3.6
1992:					
January-March	4.6	4.0	3.0	4.4	4.0
April-June	4.2	2.5	2.8	3.9	3.4
	GNP deflator index				
1991:					
July-September	1.9	3.4	3.3	1.7	2.6
October-December	2.2	3.6	2.4	2.3	2.6
1992:					
January-March	2.8	3.8	3.1	3.2	3.2
April-June	2.8	4.0	2.8	3.1	3.2
	Unemployment, average rate				
1991:					
July-September	6.9	7.0	6.8	6.9	6.9
October-December	6.7	6.9	6.7	6.7	6.8
1992:					
January-March	6.4	6.8	6.6	6.5	6.6
April-June	6.2	6.7	6.4	6.4	6.4

Note.—Except for the unemployment rate, percentage changes in the forecast represent compounded annual rates of change from preceding period. Quarterly data are seasonally adjusted. Date of forecasts: August 1991.

Source: Compiled from data provided by the Conference Board. Used with permission.

The average forecasts point to a moderate rebound in GNP nominal and real growth rates starting in the third quarter of 1991 and continuing throughout the remainder of the year. The recovery will strengthen in the first quarter and then decline slightly in the second quarter of 1992. There are many possible reasons for the moderation of the recovery in 1991: the general slowdown in the world economy, particularly in the industrialized countries; the sluggish rise in consumer spending, particularly consumer spending on durable goods, because of high consumer debt; and the expected low level of investment because of reduced business expectations and the reduction in available credit caused by the Savings and Loan crisis.

However, several dynamics appear to be working in favor of stronger growth in 1992. The decline in interest and inflation rates in most of 1991 may encourage a stronger rise in consumer and business spending in 1992. An expected surge in export growth as a result of the anticipated improvement in industrial countries' economic conditions should also increase foreign demand for U.S. exports in 1992. Moreover, the low level of inventories now held by businesses could prompt a strong buildup of business inventories once a recovery starts. Finally, the rise in housing starts is expected to be the key to a broad economic recovery. The average of the forecasts predicts a slight decline in the unemployment rate in the second and third quarters of 1991 and a larger decline afterwards. Inflation (measured by the GNP deflator) is expected to dip in the remainder of 1991 and rise slightly in the first half of 1992.

U.S. TRADE DEVELOPMENTS

The U.S. merchandise trade deficit declined in June 1991 (by $800 million), due to the larger decline in imports over the decline in exports. Seasonally adjusted U.S. merchandise trade in billions of dollars as reported by the U.S. Department of Commerce is shown in table 2.

Table 2
U.S. merchandise trade, seasonally adjusted.

Item	Exports May 91	Exports June 91	Imports May 91	Imports June 91	Trade balance May 91	Trade balance June 91
Current dollars—						
Including oil	35.3	34.8	40.1	38.9	-4.8	-4.0
Excluding oil	35.6	35.3	36.9	35.8	-1.3	-0.5
1987 dollars	32.9	32.6	37.3	36.5	-4.5	-3.9
3-month-moving average	35.0	35.3	39.4	39.7	-4.5	-4.4
Advanced-technology products (not seasonally adjusted)	8.1	8.9	5.1	5.3	+3.0	+3.6

Source: *U.S. Department of Commerce News*, FT 900, June 1991

When oil is included, the seasonally adjusted U.S. merchandise trade deficit in current dollars declined by 16.7 percent in June 1991, to $4.0 billion from $4.8 billion in May 1991. The June 1991 deficit was 45.2 percent lower than the $7.3 billion average monthly deficit registered during the previous 12-month period and 36.5 percent lower than the $6.3 billion deficit registered in June 1990. When oil is excluded, the June 1991 merchandise trade deficit decreased by 61.5 percent over the previous month.

In June 1991, both exports and imports declined but imports declined faster. Including oil, seasonally adjusted exports in current dollars declined by $433 million in June, to $34.8 billion, and imports declined by $1.2 billion, to $38.9 billion. Excluding oil, U.S. imports declined from May to June 1991 by $1.1 billion, to $35.8 billion. The U.S. oil import bill declined to $3.1 billion in June from $3.2 billion in May 1991.

In seasonally adjusted constant dollars, the trade deficit declined by $505 million from May to June 1991. The trade surplus in advanced-technology products rose to $3.6 billion in June 1991 from $3.0 billion in May 1991. (Advanced-technology products as defined by the U.S. Department of Commerce include about 500 products from recognized high-technology fields—for example, biotechnology—out of a universe of some 22,000 commodity classification codes.)

Nominal export changes and trade balances in June 1991 for specified major exporting sectors are shown in table 3. The sectors that recorded the most export increases in June 1991 are airplanes, automatic data processing equipment and office machinery, scientific instruments, power generating machinery, and iron and steel mill products. Sectors that recorded the largest trade surpluses over the period January-June 1991 are airplanes, scientific instruments, airplane parts, specialized industrial machinery, and organic and inorganic chemicals.

The U.S. agricultural trade surplus declined to $793 million in June from $1.1 billion in May 1991.

U.S. bilateral trade balances on a monthly and year-to-date basis with major trading partners are shown in table 4. The United States experienced increases in bilateral merchandise trade deficits in June 1991 with Japan, Canada, the Newly Industrializing Countries (NICs),[1] and China; a decline in trade deficits with Germany and OPEC; and an increase in trade surpluses with the EC, Western Europe, and the U.S.S.R. The deficit with Japan increased by $800 million. On a cumulative year-to-date basis, the United States experienced improvements in its bilateral trade balances from a year earlier with almost all trading partners except Canada, Japan, and China.

INTERNATIONAL TRADE DEVELOPMENTS

EC Proposes Agricultural Reform

On July 9, the European Community (EC) Commission adopted proposals on the development and future of the Common Agricultural Policy (CAP) presented by Mr. Ray MacSharry, Commissioner for Agriculture and Rural Development. The EC Council of Ministers began talks on the radical farm reform plan July 15, and they are expected to take most of this autumn to review and negotiate it.

The adoption of a CAP was incorporated in the Treaty of Rome, which came into force in 1958 and laid the foundation for the EC. The CAP established a common market in agricultural commodities with five main objectives: to increase productivity, to ensure a fair standard of living in the agricultural sector, to stabilize markets, to guarantee food supplies, and to provide food to consumers at reasonable prices. The CAP uses a variety of mechanisms, including price supports, to meet these objectives. Because the CAP shields EC farmers from market forces, it has generated growing surpluses and has had a depressing effect on world market prices of certain agricultural commodities. As a result, tensions with some of the EC's trading partners, includ-

Table 3
Nominal U.S. exports and trade balances, not seasonally adjusted, of specified manufacturing sectors, January 1990-June 1991

Sector	Exports: January-June 1991	Exports: June 1991	Change: January-June 1991 over January-June 1990	Change: June 1991 over May 1991	Share of total January-May 1991	Trade balances January-June 1991
	Billion dollars		Percent			Billion dollars
ADP equipment & office machinery	13.1	2.2	7.3	7.7	6.2	-0.94
Airplanes	11.4	2.6	10.7	41.7	5.4	9.86
Airplane parts	4.9	0.8	1.6	0	2.3	2.75
Electrical machinery	15.1	2.6	6.3	-0.4	7.2	-1.76
General industrial machinery	8.5	1.4	5.2	-6.5	4.0	1.11
Iron & steel mill products	2.2	0.4	41.2	2.5	1.0	-2.23
Inorganic chemicals	2.1	0.3	11.3	-28.0	1.0	0.54
Organic chemicals	6.0	0.8	15.6	-19.4	2.9	1.76
Power-generating machinery	8.3	1.5	3.2	5.1	3.9	1.22
Scientific instruments	6.7	1.2	12.4	7.1	3.2	3.51
Specialized industrial machinery	8.4	1.4	6.2	-4.8	4.0	2.46
Telecommunications	4.7	0.8	8.8	0	2.2	-5.48
Textile yarns, fabrics and articles	2.7	0.5	7.2	-4.2	1.3	-0.60
Vehicle parts	6.9	1.3	-8.0	-1.5	3.3	-0.11
Other manufactured goods[1]	12.2	2.1	10.4	1.4	5.8	-2.29
Manufactured exports not included above	49.2	8.3	10.0	-5.6	23.4	-34.91
Total manufactures	162.3	28.2	8.1	0.3	77.0	-24.88
Agriculture	18.9	2.6	-9.3	-14.5	9.0	7.39
Other exports	29.2	4.7	7.0	- 6.4	14.0	-7.21
Total	210.3	35.5	6.1	-1.9	100.0	-24.70

[1] This is an official U.S. Department of Commerce commodity grouping.

Note—Because of rounding, figures may not add to totals shown.

Source: *U.S. Department of Commerce News* FT900, August 1991.

Table 4
U.S. merchandise trade deficits (-) and surpluses (+), not seasonally adjusted, with specified areas, January 1990-June 91

(In billion dollars)

Area or country	June 1991	May 1991	June 1990	January-June 1991	January-June 1990
Japan	-3.23	-2.43	-3.04	-19.21	-19.71
Canada	-0.46	-0.36	-0.75	-2.47	-1.87
Germany	-0.13	-0.40	-0.84	-1.98	-4.38
EC	+1.87	+1.37	+0.91	+10.82	+4.95
Western Europe	+1.73	+1.32	+0.63	+10.80	+3.73
NICs[1]	-1.00	-0.77	-1.43	-4.32	-8.56
U.S.S.R	+0.09	+0.07	+0.36	+1.27	+1.97
China	-1.02	-0.74	-0.81	-4.62	-4.11
OPEC	-1.03	-1.37	-1.29	-7.69	-10.13
Total trade balance	-4.08	-3.99	-6.48	-24.71	-42.47

[1] NICs include Singapore, Hong Kong, Taiwan, and the Republic of Korea.

Note—The difference between trade balances shown in total exports table and those shown in the above (country/area) table represents exports of certain grains, oilseeds, and satellites that are not included in the country/area exports.

Source: *U.S. Department of Commerce News*, FT 900, August 1991.

ing the United States, have risen. Furthermore, the CAP has placed a heavy financial burden on the EC's budget. With the Uruguay Round of GATT trade negotiations already shaken over the issue of agricultural export subsidies and the EC budget headed for crisis over agricultural export payments, the need for reform is compelling.

The CAP, once heralded as a cornerstone of European economic integration, has come under increasing criticism in recent years. From the mid-1970s onwards, the CAP became the subject of mounting criticism among the member states, because of its increasing cost. Expenditures by the European Agricultural Guidance and Guarantee Fund, set up to fund the market and structural policies of the CAP, became unacceptably high as large surpluses were accumulated by national intervention agencies. Particularly notorious were the stocks of wheat, sugar, and dairy produce, including the well-known EC "butter mountains" and "wine lakes." The storage and subsequent disposal of surpluses with the help of various forms of consumer subsidy, or as food aid, have proven more costly than direct exports supported by export subsidies.

All member states appear to agree that radical reform is necessary. The EC overproduces in the agricultural sector by approximately 20 percent. The one-fifth of farmers who generate most of this surplus absorb four-fifths of the CAP budget. Falling farm incomes, soaring budgetary costs, and damage to the environment caused by intensive production are other problems with the current CAP. The current CAP is not only a financial burden, but also a political liability, threatening both the Uruguay Round and the scope of EC enlargement.

The new proposals, which follow broadly the approach set out by the Commission in February in its "Reflection Paper," represent the most fundamental reshaping of the CAP since its inception over 30 years ago, according to the EC Commission. The EC hopes that the proposals' efforts to move toward a more market oriented policy will resolve the current problems. The changes called for in the proposal are to be introduced in 1993 and to be fully operational by 1996.

The main features of the new reform proposal are as follows:

- Major reductions in support prices. The proposal calls for cutting cereal prices by 35 percent; milk, 10 percent; butter, 15 percent; skim milk powder, 5 percent; and beef by 15 percent. Price supports for pork, poultry, meat, eggs and processed agricultural production are to experience corresponding reductions. This call for price support reductions follows the EC Farm Ministers' surprise decision in late May to adopt price reductions that would keep EC farm spending within the budget guideline for the 1991/92 marketing year.

- Supply-control measures, namely land set-aside in cereals, lower milk-production quotas, lower tobacco production quotas, upper limits on sheep premiums (subsidies), and a new calf-disposal premium for beef.

- Substantial compensation for price reductions and supply-control measures through payments of premiums to farmers raising cattle using less intensive production methods.

- Measures to better direct support towards small and medium-sized farmers; e.g., by exemption of small cereal producers (20 hectares, which is approximately 50 acres) from set-aside requirements, mechanisms to allow small milk producers to avoid quota cuts, and limits on beef and sheep premiums to larger producers.

There are also some accompanying measures that received wider acceptance among the member states than did the main features. These accompanying measures included a special agri-environment program linking premiums to less intensive production methods and programs to reduce damage to the environment and to protect countryside, flora, and fauna. The proposal also seeks to establish an accelerated program to encourage afforestation of agricultural land and new measures to encourage early retirement of farmers.

According to the EC Commission, the proposed reform will benefit many different groups. First, Europe's farmers should experience greater stability of incomes and increased competitiveness, more balanced markets domestically and internationally, and a more equitable distribution of support. Consumers, through reduced prices, also stand to gain from the proposals. Because the measure will encourage less intensive methods of production and better care of the countryside, the environment will benefit. Finally, the EC Commission believes that the international trading environment will gain by pursuing a more market oriented philosophy in agriculture.

Raymond Lacombe, president of the French Federation Nationale des Syndicats d'Exploitants Agricoles (FNSEA), does not believe that MacSharry's CAP reform proposal will bring any substantial benefit to the international trading environment. He maintains that the new version of CAP reform will not change anything, for it is still the same basic philosophy of linking direct aid to production levels. Lacombe argues that the new CAP will continue to encourage excessive production, which will result in dramatic consequences for the EC's budget.

The EC Commission estimates the cost of the reform policy at ECU 38.8 billion in 1997 at 1992 prices, representing an increase of ECU 3.7 billion or some 10 percent over the level of expenditure in 1992. Of this increase, ECU 1.5 billion is accounted for by the "accompanying measures."

Commissioner MacSharry's farm reform proposals have already met much controversy. Among areas that will require further negotiations are the large farm/small farm discrimination question, the North-South split within the Community, and the question of costs.

Criticism has been directed at Mr. MacSharry's proposal because it is perceived to penalize larger and more efficient farmers. The United Kingdom, Denmark, and the Netherlands have stated that the concept of basing the depth of cuts on the size of the farm is discriminatory against large farms and contrary to economic logic, implying that there are economies of scale in production. The Commission document counters these criticisms by saying that the proposed plan simply corrects the imbalances in support already existing in the CAP mechanisms. "This plan is designed to correct the discrepancy between large and small farmers and we are just going to have to get used to it," asserted Mr. MacSharry.

Farm Ministers from these countries counter, however, that the cuts should be made across the board. Smaller farmers who are unable to bear the weight of these cuts should then be compensated by direct income aid programs that are already in place in the Community. However, the same Farm Ministers have criticized the MacSharry proposal's call for granting direct aid to small farmers to fully compensate for cuts in support prices as being "budget unfriendly."

Closely related to the large farm/small farm dilemma is the North-South split. The breakdown of member-state support for the Commission proposal produces a split between the northern and southern EC countries. Producers in the major sectors that would be affected by the reform package-namely dairy, cereals, beef, and oilseeds are concentrated in the northern half of the Community. The United Kingdom, Denmark, and the Netherlands strongly oppose the scheme on the grounds that it would make Community farming less competitive. Germany neither rejected nor supported the plan whereas the southern member states showed some support for a plan because it would favor small farmers. These southern countries do not object to spending more EC money, because it comes mainly from their richer, northern neighbors.

Mr. Gummer, the British Farm Minister, gave one example of how discriminatory the package would be if it imposed a cut in the EC dairy quotas for those farmers producing over 200,000 liters a year. Such a cut would mean that 60 percent of the dairy farmers in the United Kingdom would be affected, only 1 percent in Greece, Spain, and Portugal, 3 percent in Denmark, and 8 percent in Belgium.

Finally, many delegations also complained that the reforms would be expensive. The British Farm Minister said a budget problem is not solved by increasing spending. MacSharry acknowledged that the reform plan would lead to an initial increase in costs, but predicted that in the long run, costs would fall. He stated that the 1991 budget would see an increase of 30 percent over that of 1990 and that a ECU 1 billion supplementary budget would be required. Half of the extra cash will come from cuts in this year's price package; the remainder is expected from measures taken by the EC Commission. The EC Commission has also pointed out that although the reform may cost more in terms of budgetary handouts, it should reduce surpluses and therefore cut back on the Community's tendency to unload its excesses on the world market, a tendency that greatly annoys other agriculture-exporting countries including the United States.

The EC Commission argues that the reforms' attempt to break the costly link between output and price support would reduce the EC's huge agricultural surpluses. The United States and many other agricultural exporting countries have been demanding that the EC cut its price supports and export subsidies that lead to EC surpluses being dumped on the world markets. European officials maintain that the GATT Uruguay Round and internal EC farm policy are separate issues. However, the reform of the EC's CAP is viewed as a key step toward an agreement in the Uruguay Round of world-trade liberalization talks, which have been stalled since December because of the disagreement over farm subsidies.

Korea Loosens Restrictions on Foreign Retailers

On July 1, 1991, Korea implemented regulations designed to increase access by foreign retailers to the Korean market. Under the new rules, foreigners will be able to establish and operate independent retail outlets, however on a relatively small scale. The new rules allow foreigners to operate up to 10 retail establishments, with a floor space of up to 1,000 square meters each. Previous regulations limited foreign retailers to one shop no larger than 700 square meters.

Korea's industrial classification system divides retail business into 51 sectors. Of those, the new rules opened foreign participation in 36 retail areas. Prohibitions remain on foreign retailing in two sectors (cigarettes and antiques and works of art). The previous limitations (one store no larger than 700 square meters) remain on foreign retailing of grains, vegetables, other foods and cigarettes, books, outlets for refilling gas containers, kerosine, meats, fruits, pharmaceutical products, cosmetics, gas stations, briquette coals, and gas.

The United States encouraged the move, arguing that the limitation on independent foreign retail distribution to one store of up to 700 square meters amounted to a virtual prohibition of foreign involvement in retail distribution. In the U.S. view, although Korea has loosened some restrictions on retail distribution, all such limitations should be lifted. Furthermore, U.S. exporters continue to rely on access to distribution networks through joint ventures and channels dominated by large Korean conglomer-

ates (chaebol) and manufacturers. This limits the ability of U.S. firms to penetrate Korea's market, some analysts claim.

The American firm Toys-R-Us has expressed an interest in establishing a retail distribution network in Korea. Reportedly, Ford, Jiffy Lube, U.S. food and dessert franchise operations and U.S. manufacturers of home electronics, foodstuffs, and furniture are studying how to establish their own retail distribution network in Korea under the revised rules. Distributors of Japanese consumer electronics and European fashions are also reportedly exploring retail operations in Korea.

The somewhat relaxed regulations have sparked cries of protest from Korean retailers. The firms are concerned that foreign distributors will spend large sums of capital to establish distribution networks in Korea, with ruinous effects on Korean retail distributors. Some Korean retailers claim they will not be able to compete with their counterparts from more highly developed countries. In response, the Ministry of Trade and Industry announced in June that it was planning to provide $463 million in financial assistance to modernize distribution in Korea. In an effort to improve the efficiency of distribution, the Korean Government recently announced plans to develop large distribution centers in Seoul, Pusan, Taegu, and Kwangju by 1992. In another move, the Ministry announced its intention to modify Korea's import-relief system to allow distribution firms the legal basis to investigate allegations of injury caused by foreign retail firms.

Retail distribution in Korea is characterized by a large proportion of small stores, 98 percent had fewer than four employees in 1988 (most recent figures available). Most Korean retail stores are also small in physical size, with about 85 percent measuring 33 square meters or less. In 1988, over 78,000 Korean shops, with annual sales between 20 and 50 million won ($27,000 to $68,000), accounted for 44 percent of all retail sales.

Retail distribution in Korea has diversified somewhat in the past two decades from a near-total emphasis on small shops to include a variety of larger outlets such as department stores, general merchandise stores, convenience stores, franchises, and supermarkets. Large-scale department stores began to emerge in the 1970s. By 1988, there were 22 department stores in Korea. These stores contained an average floor space of nearly 18,000 square meters. Although only a small proportion of all retail stores in Korea, general merchandise stores (smaller-scale department stores and shopping centers) are growing in significance. Between 1976 and 1986, the number of general merchandise stores in Korea grew from 114 to over 1,500, on average employing 14 people. By the late 1980s, 33 firms were involved in franchising operations in Korea. These outlets, averaging 68 square meters in size, were concentrated in fast food, beer halls, gift shops, and apparel for infants. In 1981, the first convenience stores opened in Korea. The 24 hour operations, with an average size of about 135 square meters, have since expanded into both commercial and residential neighborhoods.

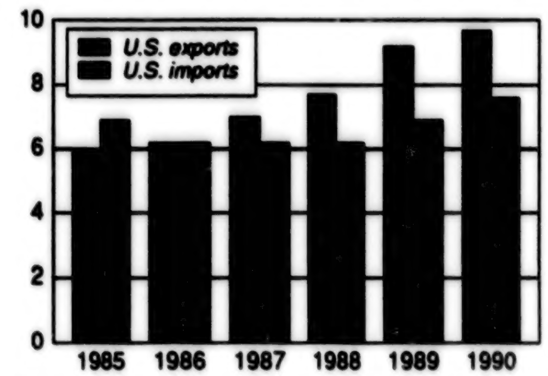
Korea's industrial classification system divides wholesale business into 70 sectors. The number of wholesale distribution sectors open to foreign participation remains unchanged at 60. Foreign firms may operate in these sectors with no limitations on the number of outlets or amount of floor space. Foreign operations remain restricted in 10 wholesale sectors, conditioned on gaining permission based on various ministerial regulations. These sectors are grains, fruits and vegetables, meat, alcoholic beverages, fertilizers, books and newsprint, agricultural chemicals, chain stores, general foreign trading, and foreign trading agents.

U.S. Trade With the Caribbean Basin Continues to Increase

The Caribbean Basin is one of the few areas of the world with which the United States maintains a merchandise trade surplus. As the accompanying chart shows, a U.S. deficit in this trade turned into a surplus in 1986 (*IER*, July 1988) and widened thereafter each year, exceeding $2 billion both in 1989 and 1990. The disappearance of a U.S. deficit and the growing U.S. surplus reflected a 15.6 percent decline in U.S. imports from the region since 1983. This was the last year before the Caribbean Basin Economic Recovery Act (CBERA) was instituted. During the same period, U.S. exports to the Caribbean surged by 64.7 percent.

The rise of U.S. exports to the Caribbean was one of the less expected developments since passage of the CBERA—a program of the U.S. Government that features preferential access to the U.S. market for Caribbean exports as its key component. In fact, the CBERA grants duty-free access to less than one-third of U.S. imports originating in the Caribbean region (in 1990, 2 billion dollars' worth of imports or 27.6 percent of actual imports from the region were CBERA-eligible for duty-free entry to the U.S. market).

U.S. trade with the Caribbean Basin countries, 1985-90



Source: Compiled from official statistics of the U.S. Department of Commerce.

The decline in Caribbean exports to the U.S. market can be largely attributed to external market forces, which worked strongly against that portion of this trade flow that was largely exempt from CBERA provisions.

Most of the reversal in the CBI countries' trade balance was caused by the collapse of the global petroleum market in the early CBERA years. In addition to sugar, coffee, and some other traditional export items, petroleum and some derivatives have been the mainstay of the Caribbean economy for years. (Petroleum, which is excluded from CBERA duty-free treatment, accounted for 57 percent of the region's total export value to the United States in 1983.) During 1983-86, the value of Caribbean petroleum exports to the United States plummeted by 73 percent (*IER*, July 1988) and was thus primarily responsible for the overall decline of U.S. imports from the region in the first 3 years of the CBERA program.

However, as the chart shows, the decline of U.S. imports from the Caribbean stopped in 1987. Imports were unchanged in 1988, and began to rise again in 1989. In the second half of 1990, the Persian Gulf crisis and higher petroleum prices on world markets boosted the value of Caribbean petroleum sales again. The region's sales to the United States of oil and oil-related products rose by 28.4 percent in 1990, contributing to an 8.6-percent increase in overall U.S. imports from the Caribbean countries. (Data refer to the entire Caribbean region, including some countries that are not CBERA beneficiaries but that account for only 1 percent of combined 1990 U.S. imports).

The importance of petroleum for the Caribbean Basin's exports was greatly diminished however by 1990, when petroleum and related products were responsible for only 17.8 percent of U.S. imports from the region. (The oil boom following the Persian Gulf crisis raised this percentage somewhat from even lower—14.9 percent—in 1989.) By the same token, petroleum products accounted for less than one-third of the 1990 increase in U.S. imports from the Caribbean. That non-oil products can be credited with the bulk of the increment at a time when a recession dampened U.S. demand for many import items indicates that the Caribbean probably has a promising market in the United States.

Broadly stated, the entire composition of U.S. imports from the Caribbean has changed drastically since 1983, i.e. during the CBERA years. Nontraditional items have replaced oil and other declining traditional Caribbean exports on the U.S. market. However, trade benefits offered under the CBERA program appear to have played little role in this shift. The most spectacular uptrend was in Caribbean textile and apparel sales, which constituted only 4.5 percent of U.S. imports from the region in 1983 but accounted for 58.7 percent in 1990. Textiles and apparel exports have increasingly exceeded the value of petroleum and related sales to the U.S. market since 1988. In 1990, the United States imported 2 billion dollars' worth of Caribbean textiles and apparel (96 percent of which was apparel) and only 1.3 billion dollars' worth of petroleum and related products.

Textiles and apparel are not eligible for duty-free access under the CBERA. However, a significant share of the textiles and apparel imported from CBERA countries enter at reduced duties under item 9802.00.80 of the Harmonized Tariff System (HTS). HTS item 9802 provides for reduced duties for U.S.-origin goods processed or assembled outside the United States and subsequently returned. "Guaranteed access levels" (GALs) have also been negotiated with CBERA beneficiaries in bilateral accords drawn up under this provision. In 1990, 55 percent of U.S. textile and apparel imports from Caribbean beneficiaries entered under HTS 9802.00.80, and an additional 19 percent under "special access." Rising demand for Caribbean apparel products reflected also the competitiveness of these products on the U.S. market, attributable to the geographic proximity of the Caribbean countries, and the lower production costs of Caribbean producers relative to some Asian ones. The 1986 Multifiber Arrangement (MFA) limited the growth of textile quotas for the then-dominant Asian suppliers—Taiwan, Korea, and Hong Kong. The rapidly growing economies increased demand for labor and wages, forcing them to trade up to higher value goods and shift production of basic goods to lower cost nations in the Caribbean and elsewhere.

Apparel, which is not duty free, now dominates the flow of Caribbean trade to the United States. Duty-free imports of various agricultural and manufactured products under the CBERA exceeded $1.0 billion in 1990 and accounted for 13.6 percent of total dutiable and nondutiable U.S. imports from CBERA countries. This share of imports was double the 1984 level of 6.7 percent, the first year of the program.

The share of CBERA products tended to increase; in 1984—the first year of the program—these products were responsible for only 6.7 percent of total U.S. improts from the region. Leading items enjoying duty-free treatment under the CBERA are beef, sugar, cigars, cantaloupes, cane sugar, tobacco, orange juice, and iron and steel bars. In addition, the leading CBERA items include some miscellaneous manufactured products, such as electrical apparatus, jewlery, baseballs and softballs, and medical and surgical instruments. Notably, U.S. imports of medical and surgical instruments soared, from negligible in 1987 to $8.7 million in 1988, $27.1 million in 1989, and $84.3 million in 1990, making this product the third-leading CBERA import item, after beef and sugar.

In 1990, the termination date of the CBERA that was originally scheduled for September 1995 was repealed as the U.S. Government extended the program indefinitely. The 1990 CBERA legislation also provides duty remission and duty-free treatment for certain products excluded from such treatment in the

original CBERA. These products included certain leather goods, articles assembled from U.S. components and materials, and articles produced in Puerto Rico and advanced in CBERA countries. These changes broaden the benefits under the program and encourage the use of U.S. components in assembly, thereby improving the chances for expanded two-way trade between the United States and the Caribbean.

EEA Progress Stalls Again

The European Community and the European Free Trade Association (EFTA) had hoped to initial an agreement creating a European Economic Area (EEA) by August 1; however, they did not meet the deadline. While the two groups have made progress in some areas, some obstacles persist in their efforts to establish a more structured relationship.

The EC and EFTA are each other's largest trading partner. The purpose of creating an EEA is "to enable to the greatest possible extent, the free movement of goods, persons, services, and capital" between the 19 EC and EFTA countries.[1] EC and EFTA officials hope to complete and ratify an agreement creating the structure for a formal partnership in time to allow the EEA to come into force on January 1, 1993, concurrently with the EC's single-market initiative. The two groups have been pushing back the deadline for an initialed agreement since late this spring. After failing to reach their August 1 deadline, many officials now expect the date for agreement to be pushed back until after Austria's local elections in October. Delays beyond this autumn would make it almost impossible to ensure implementation of the EEA by January 1, 1993.

Despite the continued delays in the negotiations, several areas of recent debate have been resolved. One area of deadlock was resolved when an agreement was reached in January over how decisions would be made in the new EEA. The agreement gives EFTA members consultation rights when EC legislation is drafted, although it would leave the final decisions on legislation to the EC Council of Ministers. Another area of dispute was resolved at the same time. The two groups agreed to the formation of a new court, consisting of the existing five-member panel of the European Court of Justice and an EFTA panel of three judges. The new court will have jurisdiction over trade cases involving EFTA members.

A number of other fields have also seen progress. They include intellectual property, trademarks, veterinary and phytosanitary controls, state aid, and areas where the EFTA countries would like to maintain their stricter standards, such as health, safety, and environmental protection.

Despite all these areas of progress, there are some areas of disagreement, and officials from both sides are beginning to question whether or not the EEA will become a reality by January 1, 1993. The major remaining stumbling blocks are fishing rights, contributions to a cohesion fund, and transit.

In the fishing dispute, the two sides are still far apart on the basic question of whether EC fishing vessels should have the same rights off Iceland and Norway as the EFTA countries do. In negotiations, the seven EFTA nations have supported Norway and Iceland in demanding free access to fish sales throughout the EEA as a prerequisite for signing the EEA treaty. EFTA contends that this is the only way to ensure a balance of rights and obligations in the treaty. However, EC countries, particularly Portugal and Spain, want Norway and Iceland to let EC fishermen into their waters in return for scrapping EC import barriers to fish.

The bargaining process on the fishing rights issue began June 18. Although Iceland still refused to let more EC trawlers into its fishing grounds, on which its economy is 80 percent dependent, Norway proposed a compromise. Norway's proposal is to allow Spain and Portugal to take the share of fishing grounds currently allocated to the United Kingdom, Germany, and France in its northern waters; the latter EC trio would receive compensation in the form of slightly greater access to more southern Norwegian waters. This key achievement could, depending on the growth of fish stocks, result in an EC catch of an extra 20,000 tons a year in Norwegian waters by 1997, according to one calculation. Spain, which has been demanding 30,000 tons of EFTA fish, said this proposal had the makings of "a possible compromise."

To add to the issue of fishing rights, Britain and Ireland have begun to call for protection for their newly developed fish-farming industries. This plea for protection has made the EC less keen to abolish tariffs on competing imports of EFTA fish products.

Austrian Ambassador Manfred Scheich, the chief EFTA negotiator, commented that if the fishing rights dispute could not be settled in time for the EEA agreement, the matter might be treated bilaterally in talks between the EC Commission and Iceland and Norway. The bilateral talks would be held under EEA "umbrellas," similar to those taking place between the EC Commission and the EFTA countries on agriculture.

EFTA contributions to a cohesion fund are another hurdle to an agreement. The cohesion fund is designed to reduce economic and social disparities between the relatively rich and industrially competitive EFTA nations and the poorer peripheral regions of the EC. The cohesion fund would be very similar to the EC's own European Regional Development Fund. That fund was set up in 1975 exclusively to fund development in "less favored regions," which include both the less developed rural areas, still dependent mainly on agriculture, and the declining industrial areas whose former prosperity had been based on

[1]The 12 EC members are Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, and United Kingdom. The seven EFTA members are Austria, Finland, Iceland, Liechtenstein, Norway, Sweden, and Switzerland.

such industries as coal, shipbuilding, and textiles. Current bargaining has demonstrated that EFTA is more willing to compromise on the cohesion fund than on fishing rights.

Although the negotiating ministers did not reach an agreement on how much funding EFTA would make available, EFTA did accept the principle of such a fund at the June 18 session. EFTA's acceptance of this principle was seen as an important achievement in recent EEA negotiations. Also, Community sources said that the ministers narrowed the funding gap between initial EC requests for ECU 3 billion ($3.6 billion) and initial EFTA offers of ECU 750 million (about $900 million). In late June EFTA, recognizing that it may be easier to offer Madrid cash rather than fishing rights, offered up to ECU 1 billion in soft loans to help Ireland, Portugal, Greece, and the most backward regions in Spain. Despite this offer, Madrid says the gap is still large. Spain and Portugal argue that they need outright grants, rather than soft loans they could obtain elsewhere.

The final dispute between the two groups is in the area of alpine truck transit. Both Austria and Switzerland have stricter rules than the EC on truck weight, noise, numbers, and hours for using roads. EC transport ministers meeting informally June 17 failed to reach an understanding on whether an agreement with Austria and Switzerland was critical to creation of the EEA. EC Transport Commissioner Karel Van Miert said three options emerged from the talks. One group of EC countries argued that no agreement on creation of an EEA should be made without an agreement with Austria and Switzerland on transit, another group favored eliminating the transit sector entirely from the EEA, and a third group supported excluding the Swiss and Austrian transit issues from the EEA.

The EC has been trying to persuade the Swiss to accept a compromise in the dispute in which the EC is trying to win the right for 40-metric-ton trucks to cross the Alps north to south. Switzerland, for ecological reasons, previously only permitted trucks weighing less than 28 tons. However, on June 6, Switzerland abandoned its blanket refusal to allow trucks of 40 metric tons to cross through the country. Switzerland proposed that under certain circumstances it would allow 40-ton trucks to pass through Switzerland pending construction of a new North-South rail link to carry them by about 1996. However, EC Commissioner Van Miert said that so many conditions are attached to the Swiss proposal that it is virtually useless.

Some EC Commission and EFTA officials suggest that a solution to the transit problem may have to wait until October, after local elections in Austria. Some negotiators have suggested that the entire transport sector may have to be deleted from the EEA agreement and negotiated separately. An EC Commission official said June 18 that "the transit question is of key importance to both the EC and EFTA, but it is one that can continue to be handled bilaterally." Switzerland's chief negotiator Jean-Pascal Delamuraz has refused to support a separate transit agreement, saying that transport in the proposed EEA means not just trucks, but also such things as air-traffic rights in the proposed "one Europe."

Considering the number of issues still left to negotiate and the speed of current talks, the hopes of the EEA becoming a reality by January 1, 1993, are diminishing. In the meantime, several EFTA nations are now seriously considering full membership in the EC. Indeed, many EFTA countries no longer consider the EEA a viable alternative to joining the EC but instead a step towards Community membership. When the EEA was first proposed, Jacques Delors, the President of the European Commission, wanted to offer EFTA members a share, at a price, of some of the benefits of the Community's post-1992 single market. The EFTA countries have now come to the unwritten conclusion that the prospective EEA agreement favors the Community more than them, but that the price is acceptable provided it is a downpayment on full EC membership.

The European Parliament recently took steps to encourage EC membership. On May 15 it approved a report declaring that the EC should open negotiations immediately with countries wishing to join the Community—provided that such countries meet certain conditions and are willing to contribute to political unity in Europe. Under these conditions, the most likely applicants to receive quick approval would be Austria, Sweden, and Norway (if it chooses to apply).

Austria applied for membership in 1989, and Sweden applied July 1 of this year. With the cold war over, Sweden and Finland no longer believe their neutrality prevents them from joining. EC observers predict that Norway's and Finland's applications won't be far behind. Switzerland, known for its "go-it-alone" approach, is now considering EC membership. Even tiny Liechtenstein is feeling the pressure to make up its mind whether it wants in or out of the EC. Iceland is probably the most uncertain of the EFTA nations about EC membership. Icelanders feared joining the EC for a long time; however, a majority of the electorate is now in favor of seeking membership, especially if the other Nordic countries do.

SPECIAL FOCUS

Food Safety Issues in the NAFTA

Introduction

Ensuring the safety of food entering from Mexico and creating a "level playing field" for U.S. farmers were some of the concerns raised about the NAFTA by members of Congress and U.S. agricultural interests during the recent debate on extension of the President's fast track authority.[2] At the same time, Mexico has challenged some U.S. agricultural regulations and practices as posing unwarranted barriers to its exports. How these pressures are sorted out will be a key issue in the NAFTA negotiations. To get a better idea of what the issues are in this area of the negotiations, USITC staff contacted officials at the U.S. Departments of Agriculture and Health and Human Services and the Environmental Protection Agency, as well as their counterparts in Mexico and with the Mexican Embassy in Washington. The informal views expressed by those staff contacted are reflected in this paper, along with the information and perspectives from articles and papers on the subject reviewed.

Background

Agricultural goods accounted for about 10 percent of total U.S. imports from Mexico in 1990. In that year, Mexico exported 2.7 billion dollars' worth of agricultural commodities to the United States, twice the level recorded in 1985. Most of these exports fell into three categories: fruits and vegetables accounted for 59 percent; coffee, 15 percent; and feeder cattle, another 15 percent. Most of the fruits, vegetables, and cattle come from Mexico's northern States, which lack diseases and pests found further south.

U.S. Federal agencies currently regulate the importation of Mexican agricultural commodities for safety and quality. An examination of these regulations will be an important element of NAFTA negotiations. First, Mexico is concerned about current U.S. regulation and will raise this issue during negotiations. Second, the negotiations will take into account domestic concerns over maintaining safe imports and preventing foreign competition from receiving favorable treatment because of differences in the regulations and standards faced by Mexican and U.S. farmers. Third, if quotas and tariffs are reduced through an FTA, U.S. regulatory agencies may need to prepare for increased pressure from domestic interest groups to use regulations as nontariff trade barriers.

U.S. regulation of Mexican agricultural imports can be broken out into three types: (1) regulation to protect human health; (2) regulation to protect animal and plant health, and (3) regulation to ensure food quality. Several U.S. agencies are involved in the regulation of agricultural imports, including three from the U.S. Department of Agriculture—the Food Safety and Inspection Service (FSIS), the Animal and Plant Health Inspection Service (APHIS), and the Agricultural Marketing Service (AMS)—as well as the Food and Drug Administration (FDA) of the U.S. Department of Health and Human Services and the U.S. Environmental Protection Agency (EPA).

Human Health

The Food and Drug Administration is responsible for regulating the safety and quality of all foods other than those under FSIS's jurisdiction and animal feed to prevent harm to human health. FDA establishes acceptable levels (known as tolerances) for animal drugs and environmental contaminants.

The EPA establishes tolerances for pesticides and pesticide residues on foods. A pesticide must be registered by the EPA for use in the United States, and the EPA must establish a legal residue limit (a tolerance) for each pesticide/commodity combination. EPA also establishes tolerances for pesticides used in foreign countries on crops not grown in the United States or on pests/diseases that are not a problem in the United States. Pesticide users, manufacturers, or other appropriate sponsors, foreign or domestic, must petition the EPA for the establishment of a tolerance and must provide the information and data required to set a tolerance.

FDA is responsible for monitoring these EPA-set tolerances. Public attention in the United States has been focused on FDA's pesticide monitoring although the Agency has argued that microbial contamination poses a greater risk and thus more resources should be devoted to preventing it. FDA identifies two types of violations: (1) a food with a pesticide residue greater than the tolerance, or (2) a food with a pesticide residue for which no tolerance is set (i.e., the pesticide is not registered with the EPA or the pesticide is registered with EPA but not for use on that commodity).

In 1989, FDA analyzed 18,113 samples for pesticide residues. Of these samples, 11,100 were from imported food (about 88 percent were fruits and vegetables) and of that portion 4,300 were from Mexican products. While imported food overall has a higher violation rate than domestically produced food (3.5 percent versus 1 percent) Mexican produce may not have a higher rate than domestic product.[3] FDA's Los Angeles laboratory, which tests a large share of Mexican fruit and vegetable exports to the United States, examined its results from 1982 to 1986 (almost 20,000 samples) and found a slightly higher violation rate for domestic food than for Mexican produce (3 percent versus the 2.6 percent for Mexican products).[4] The majority of violations—over 75 percent—were for residue/food combinations that have no set tolerances.

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[2] For a discussion of these concerns, see *IER*, June 1991. For a discussion of the standards issue in general, see *IER*, Aug. 1991.

[3] Food and Drug Administration, "Residues in Food 1989," Washington, DC, 1990.

[4] M. Luke, and others, "Levels and Incidences of Pesticide Residues in Various Foods and Animal Feeds Analyzed by the Luke Multiresidue Methodology for Fiscal Years 1982-1986," J. Assoc. Off. Anal. Chem. vol. 71(2), pp. 415-433, (1988).

Pesticide regulation appears to be an area of potential conflict during FTA negotiations. U.S. agricultural interests claim that Mexican use of pesticides/commodity combinations not allowed in the United States gives Mexican farmers an unfair commercial advantage, and U.S. consumer groups argue that use of pesticides is a health hazard. The U.S. General Accounting Office has identified 35 pesticides registered for use in Mexico that do not have EPA tolerances.[5] Mexican exports in which such residues are detected can be prevented from entering the United States.

Mexican officials argue that preventing produce from entering the United States because of a lack of EPA tolerances is more of a nontariff trade barrier than a health regulation. They argue that Mexico's climate, pests, diseases, and crops require the use of pesticides not registered for use in the United States. They call on the United States to accept tolerances set internationally by the Codex Alimentarius: nine of the pesticides identified by the GAO have Codex maximum residue limits (MRLs).

Mexican officials are also concerned about a new pesticide monitoring program run by the Agricultural Marketing Service (AMS). The Pesticide Data Program, established in May 1991, tests food sampled at wholesale markets and chain store terminals in six states. The program is aimed at information gathering. The origin of each sample will be identified, and violations can be followed up by State and FDA personnel. Mexican officials fear that the program will create another testing hurdle for their exports. AMS personnel argue that sampling is random so that all producers, domestic and foreign, face the same regulation.

It can be argued that the pesticide issue may be receiving a disproportionate amount of attention in the FTA talks. Violation rates are relatively low. In 1990, 1,424 shipments of Mexican agricultural products were detained at the border after examination by FDA. The causes for detention and the percentage of shipments detained for each cause are given below (shipments detained for more than one cause were divided equally between causes cited), based on information provided by the Food and Drug Administration in 1991:[6]

Reason	*Percent of detained shipments*
Insect/bird/rodent filth	28
Chemicals (i.e., pesticides)	25
Mold	23
Labelling/identification	15
Food additives	5
Microbiologicals	3
Decomposition	1

[5] General Accounting Office, "U.S.-Mexico Trade: Trends and Impediments in Agricultural Trade," GAO/NSIAD-90-85BR, January 1990.

[6] Food and Drug Administration, Import Operations Branch "WorldWide Import Detention Summary: FY1990," 1991.

Even with an FTA, the FDA will continue analyzing Mexican products and detaining those with illegal residues. The Mexican Government and many exporters believe it is in their interest to meet U.S. tolerances and have increased their pesticide control and monitoring systems. On the other hand, it is unclear how much risk from pesticides actually exists, since it is not known how many residues are not being identified because of gaps in the sampling and methods used for analysis.[7] Provision of technical assistance by the U.S. Government can help address concerns about pesticides but cannot eliminate them, even for domestically produced food.

Nonpesticide threats to human health are also primary causes for refusing Mexican imports (both meat and other foods). However, these regulations are not yet receiving the same attention as the pesticide issue though they may be economically more important to Mexico. Additionally, U.S. rejection of imports under these regulations may be more subjective (e.g., illegal bone chips or hair are decided on by inspection, not by an analytical method). Therefore, it may be in Mexico's interest to negotiate more clear guidelines on these regulations, obtain technical assistance on how to meet them, and disseminate the requirements and technical knowledge to its growers, packers, and shippers.

The FDA's Center for Veterinary Services sees animal drugs as an issue that has not yet been given much attention in the FTA discussions. U.S. animal drug regulation differs from that of the rest of the world because of the U.S. Food, Drug, and Cosmetic Act. The act bans any drug proven to be a carcinogen to humans that shows up in an edible part of the animal. Mexico has a less strict approval process for animal drugs plus a weak regulatory structure, which could allow the use of drugs not approved in the United States. On the other hand, it may be easier to harmonize drug tolerances with Mexico. Since Mexico has a less developed system, it may be more inclined to adopt U.S. drug regulations wholesale.

Animal and Plant Health

The animal and plant health issue seems to be the most contentious one from the Mexican viewpoint. Mexico has challenged many U.S. regulations to prevent the introduction of foreign pests and diseases through the importation of agricultural commodities. The Animal and Plant Health Inspection Service is responsible for preventing the introduction of foreign pests and diseases through the importation of agricultural commodities.

APHIS' regulations concerning Mexican exports are commodity specific. When a pest problem is identified APHIS may require the use of an approved treatment on exported commodities, it may identify pest-free regions from where exports are acceptable, and it may ban a commodity from export to the United States. Commodities that are not banned are inspected at the border.

[7] U.S. Congress, Office of Technology Assessment, *Pesticide Residues in Food: Technologies for Detection*, OTA-F-398, (Washington, D.C., GPO, Oct. 1988).

A number of Mexican products have been banned from the U.S. market on sanitary and phytosanitary regulatory grounds. For example, Mexico is the primary supplier of feeder cattle (live cattle sold for fattening and slaughter) to the United States. Cattle must be certified by a Mexican veterinarian as free of bovine tuberculosis and brucellosis (these diseases can spread to both humans and animals) and are checked at the border. Mexican cattle are branded with an "M." Cattle also must be dipped to get rid of cattle fever ticks.

Mexico has challenged many such U.S. restrictions. APHIS does not accept the Mexican inspection service's monitoring of pests and diseases nor its efforts to prevent export of diseased or pest-infested products and argues that Mexico has not provided sufficient proof for many of its claims of pest- and disease-free regions.

Meat and Poultry

The Food Safety and Inspection Service of USDA is responsible for enforcing U.S. human health regulations concerning meat and poultry. Under U.S. law, a country must have an inspection system equivalent to the U.S. system before it will be permitted to export meat or poultry to the United States. FSIS is responsible for making this determination. Mexico's domestic inspection system is not considered equivalent to the U.S. system. As a result, Mexico has only been allowed to export fresh beef to the United States. A special export system has been approved by FSIS for the approximately five Mexican plants that export fresh beef to the United States.

Every shipment of beef from these plants must be inspected and certified by the Mexican inspection service. This system is periodically reviewed by FSIS. In 1984 it was found to be inadequate, and Mexican meat imports were banned until 1989, when the system was found to be acceptable.

In addition to certifying Mexico's inspection system, FSIS also inspects Mexican meat exports at the point of entry. FSIS may examine products for container condition or product defects and may take samples for laboratory analysis for (1) chemical residues; (2) microbiological contamination (viewed as the greatest risk to human health by FSIS[8], (3) accurate formulations, and (4) additives. FSIS data on Mexican meat exports to the United States for the 3rd quarter of 1990 show that no meat exports were rejected for containing residues. However, one-fifth of these exports were rejected by FSIS because of defects.[9] Overall for 1990, about 14 percent of Mexican beef exports were rejected by the United States.[10]

Food Quality

The Agricultural Marketing Service of USDA carries out two types of regulation of food quality: (1) mandatory regulation of imported fruits, vegetables, and nuts to ensure they meet domestic marketing order standards if applicable, and (2) voluntary grading of meat, poultry, eggs, fruits, vegetables, nuts, dairy products, cotton, and tobacco.

Under section 8e of the Agricultural Marketing Agreement Act of 1937, as amended, certain imported commodities must meet the quality standards of domestic marketing orders if imported when the orders are in effect. Quality standards include size, maturity, and grade standards and may include requirements for color, weight, softness, shape, and amount of defects. Twenty-three commodities could be regulated under section 8e. Fifteen are currently regulated and two more (nectarines and plums) are in the process of being added.

The logic behind section 8e is similar to that which applies to domestic marketing orders. Proponents argue that marketing orders provide a higher quality commodity to the consumer, thus ensuring stable consumer demand, which leads to stable supply and prices. Quality standards can also reduce the amount of a commodity available and so act as a quantity control.[11]

The quality standards in marketing orders for onions, oranges, and tomatoes are very important to Mexico since these are major export crops to the United States. Mexico also exports smaller amounts of limes, grapes, and some grapefruit and raisins. Avocados and potatoes could be important exports but they are banned because of quarantine regulations due to pests.

Activities in the GATT Uruguay Round negotiations on sanitary and phytosanitary regulations may conflict with U.S. marketing orders, and thereby with section 8e. Under the draft text under discussion, any import regulations must also apply to a significant percentage of the domestic industry. Some of the marketing orders cover less than 50 percent of their domestic industry: e.g., the marketing order for Florida tomatoes covers 43 percent of the domestic crop and the one for onions covers less.[12]

Imported fresh chilled meat is graded at the port of entry upon request. Grading will not likely be necessary for much of Mexico's exports. For beef, grading is only worthwhile if the meat receives a prime or choice grade, and such a grade requires the

[8] USDA, FSIS, "Meat and Poultry Inspection: 1990 Report of the Secretary of Agriculture to the Congress," Mar. 1, 1991.

[9] USDA, FSIS, International Programs, "Quarterly Report on International Programs Activities: Imported Meat and Poultry Inspection and Foreign Review Activities (July 1 through September 30, 1990)," Washington, DC 1990, Sec. 1 p. 54 and Sec. 3 page 18.

[10] USDA, FSIS, "Meat and Poultry Inspection: 1990 Report of the Secretary of Agriculture to the Congress," Mar. 1, 1991.

[11] USDA, "A Review of Federal Marketing Orders for Fruits, Vegetables, and Specialty Crops," Agricultural Economic Report No. 477, 1981.

[12] A. Veerhoff, "Marketing Orders Cover $4.5 Billion in Crops," *Farmline* Aug. 1990.

cattle to be grain fed. Most of Mexico's beef is not grain fed. Poultry and eggs cannot be exported to the United States, because of animal disease problems and the above mentioned lack of a U.S.-equivalent Mexican inspection system.

Issues in the negotiations

Mexico may raise the following points in its negotiations on U.S. food safety and quality regulation:

- Special exemptions from U.S. standards;
- Harmonization of U.S. and Mexican standards;
- Increased regionalization;
- Use of international standards;
- Provision of technical assistance; and
- Stability of U.S. marketing order requirements

There appears to be unaniminity among the U.S. agencies that there is no room for exemptions to their standards, because of the need to uphold current U.S. health and safety requirements and in fairness to U.S. and other foreign producers. However, Mexico has asked for permission to transship banned products through the United States to non-U.S. export markets. Mexican avocadoes can be shipped through the United States to west coast ports for export or to Canada. Currently, negotiations for such permission are taking place for poultry and hogs.

Harmonization of standards appears to be an improbable goal unless it implies Mexican adoption of U.S. standards. Even if Mexico adopts U.S. standards, harmonization is unlikely to lead to the unregulated flow of goods from Mexico as it is intended to in the European Community in 1992. In order for a totally open market to be possible, the United States would have to have confidence in Mexico's capability to monitor and control its agricultural exports to the United States. For example, officials at FSIS do not consider it likely that there will be a change from the current system of approving individual meat plants for export to the United States, given the lack of equivalency in the Mexican meat and poultry inspection system. APHIS personnel voiced strong opposition to any concept of free trade that means nonregulated movement of commodities into the United States. Further, because of its climatic and biological characteristics, Mexico is seen as a more risky source of pests and diseases for the United States.

Mexico will push for an increase in the number and size of regions certified free of specific pests and from which Mexican producers can export commodities without pretreatment, especially for animals and plants. APHIS, while accepting the concept of regionalization, is concerned about the increased possibility this procedure allows for introducing foreign pests and diseases into the United States. To prevent such introduction, APHIS will promote requirements for strict monitoring and control over these regions and will have to commit greater resources, both for technical assistance and monitoring. APHIS will accept regionalization for plant products before animal products. APHIS expects that the Mexican State of Sonora will be the first to gain approval as a disease-free region. Mexico is now setting up a surveillance system inside Sonora while cleaning up problems around the State to reduce the risk of reintroduction of pests.

While it may not be difficult to agree on the desirability of regionalization, there is likely to be some disagreement on the regions eligible for such designation. Mexican officials argue that they have provided data to APHIS showing the State of Sonora to be free of hog cholera and therefore Sonora hogs should be allowed into the United States. APHIS argues that questions remain about hog cholera throughout Mexico and that although larger operations may be free of it, the smaller ones are not. Mexican officials also claim regions free of avocado seed weevils, Mediterranean fruit fly, newcastle disease, and potato nematode (though they note that documentation for their claims is lacking for the latter two). APHIS argues that Mexico has neither the data nor the surveillance programs in the place to generate the data necessary to substantiate these claims.

Mexico will push for the use of international standards especially where U.S. standards do not exist. This push will occur primarily in the human health area, especially for pesticide and animal drug residues. The Codex Alimentarius, an international scientific body, has established maximum residue limits for pesticides and animal drugs. The use of these Codex tolerances as a basis for national regulation is under discussion in the present Uruguay Round of the General Agreement on Tariffs and Trade. At present, there is no obligation under the GATT to accept international standards, although countries are encouraged to do so. There is some pressure, mainly from U.S. export interests, to move to international standards, and there may be more if the GATT agrees to the use of international standards as the basis in dispute settlement. Most of the Codex's MRLs are in line with U.S. tolerances, so there is not yet a threat of disagreement.

The Codex has established MRLs for pesticides and animal drugs that do not have tolerances in the United States. FSIS does not appear to be concerned with this point since it certifies the Mexican residue testing program for meat exports and feels it can control residues through this process. In the case of pesticides, FDA appears to view favorably the approach of using Codex MRLs as a basis for evaluating commodities (at least for pesticides registered in the United States but lacking tolerances for Mexican export crops), in part because it will make its job easier since many pesticide violations occur because no tolerances have been set for specific pesticide/commodity combinations. If international tolerances could be used in these cases, FDA could test for

higher levels of residue (instead of testing for any residue) and would find fewer violations. FDA would also want to ensure that international standards are backed by good safety data before accepting them.

EPA—which sets the pesticide tolerances—appears more concerned with maintaining its authority over tolerance setting and views the acceptance of international standards less favorably. EPA is concerned that the United States retain exclusive authority over setting tolerances. EPA officials therefore argue that the United States should not be obligated to adopt Codex tolerances if no such standards exist in the United States nor change existing tolerances if they differ from those of the Codex. Codex is also viewed by some U.S. regulators as biased toward industry.

In the case of animal drugs, FDA sets the standards and it appears to be more hesitant about accepting international standards. Again, FDA would want the opportunity to review the data used to set the standard to ensure its safety, and a lack of resources may lessen its ability to do such a review quickly for a large number of animal drugs.

The Codex MRL-setting process is considered slow and it has not yet addressed a number of drugs. Therefore, even if the United States accepts the Codex-established MRLs as a basis for U.S. regulation, there still may be chemicals used in Mexico that are not approved by the United States and do not have a Codex MRL.

Mexico will likely ask for increased aid and technical assistance to improve its regulatory system. FSIS seems uninterested in providing such assistance; it does not see this as its role. FDA has provided such assistance in the past and seems willing to provide more. EPA provides advice on alternative pesticides and submitting the data necessary to obtain a new tolerance and would likely continue doing so under an FTA.

APHIS is the most willing to provide both technical assistance and actual control programs as long as they target pests and diseases that can threaten U.S. production. Past APHIS efforts in cooperation with Mexico have led to freeing Mexico from foot and mouth disease and screwworm (a cattle parasite). Two joint commissions provide an avenue for continued U.S. assistance in monitoring for these two diseases along with other animal diseases exotic to the United States. There are currently joint programs for controlling tuberculosis in cattle, the Mexican fruit fly in the north, and the Mediterranean fruit fly in the south. AMS has provided a small amount of technical assistance on grading. Greater regionalization will require more technical assistance and surveillance by APHIS, leading to agency concerns over whether it will have the personnel to carry the additional work.

Increased technical assistance to Mexico combined with an increased Mexican commitment will be important in building up Mexico's regulatory system and the ability of its private sector to meet U.S. regulations. If the Mexican system is seen as more capable, there could be greater acceptance of Mexico's certification of its exports. This acceptance will be especially important if Mexico hopes to increase the number and size of its regions considered pest free. The importance of this acceptance can be seen in FSIS' certification of the Canadian meat inspection system as equivalent to that of the United States. According to the GAO, FSIS based its decision heavily on its confidence in the Canadian system.[13]

Mexican officials believe that U.S. marketing orders have been used as a nontariff trade barrier. They argue that minimum size restrictions, for example on tomatoes cannot be justified as consumer protection because consumers can choose what size tomato to buy. The AMS argues that section 8e has not been used as a nontariff trade barrier and that it is compatible with the General Agreement on Tariffs and Trade. Mexico retains concerns that section 8e will be used to restrict its exports, especially of limes, tomatoes and oranges which are vulnerable to size requirements, and so it may negotiate for smaller minimum size limits.

The majority of Mexican growers reportedly can meet the requirements of section 8e (and benefit from them in the same way U.S. growers do), but they want to make sure that requirements are not often changed to their disadvantage. Mexico may therefore ask that mid-season and between-season changes in U.S. marketing orders be restricted so that they cannot be used as nontariff trade barriers. An additional request may be to improve communication between Mexican producers and AMS so that changes are known in advance and Mexican comment on them can be taken into account.

Lastly, there appear to be a number of human health regulations that are important to reducing Mexican exports but have not received equal attention as pesticides and animal drugs. FSIS and FDA regulate Mexican exports to the United States for the condition and sanitation of commodities. Mexican meat exports have been rejected primarily on these grounds. As the negotiations proceed, Mexico may well raise these regulations as being too strict, but FDA and FSIS will undoubtedly argue that Mexico needs to meet them and that they will not be relaxed. Increased information on U.S. regulation of these problems and technical assistance to address them might be a compromise solution.

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[13] General Accounting Office, "Food Safety: Issues USDA Should Address Before Ending Canadian Meat Inspections," GAO/RCED-90-176, July 1990.

STATISTICAL TABLES

Industrial production, by selected countries and by specified periods, January 1988-June 1991

(Percentage change from previous period, seasonally adjusted at annual rate)

Country	1988	1989	1990	1990 IV	1990 Dec.	1991 I	1991 II	1991 Jan.	1991 Feb.	1991 Mar.	1991 Apr.	1991 May	1991 Jun.
United States	5.4	2.6	1.0	-7.2	-11.5	-9.6	1.6	-6.5	-9.7	-7.7	3.5	8.3	8.2
Japan	9.5	6.2	4.5	6.9	-5.4	-0.5	(1)	17.1	-6.3	-22.3	5.8	22.8	(1)
Canada	4.4	2.3	0.3	4.7	0	-1.2	(1)	1.1	-6.3	-7.3	-6.4	-3.2	(1)
Germany	3.2	5.3	5.9	6.7	-8.6	(1)	(1)	(1)	-10.3	(1)	(1)	(1)	(1)
United Kingdom	3.7	0.3	-0.8	-6.8	-6.6	-0.4	(1)	-7.7	21.2	1.1	-28.1	-5.6	(1)
France	4.1	3.6	1.1	-10.2	-20.4	0.6	(1)	2.8	-11.0	-27.8	52.2	-6.2	(1)
Italy	6.9	3.9	-0.7	-8.1	-1.0	3.9	(1)	6.7	-13.4	2.1	-22.1	14.6	(1)

[1] Not available.

Note— Data presented for Germany includes information only for what was once West Germany. When data for the combined Germanys are available they will be used.
Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, July 26, 1991.

Consumer prices, by selected countries and by specified periods, January 1988-June 1991

(Percentage change from previous period, seasonally adjusted at annual rate)

Country	1988	1989	1990	1990					1991				
				IV	Dec.	I	II	Jan.	Feb.	Mar.	Apr.	May	Jun.
United States	4.1	4.8	5.4	7.0	3.6	3.5	2.1	5.5	2.7	-0.9	2.7	3.6	2.7
Japan	0.7	2.3	3.1	6.0	0.6	4.8	-0.3	12.5	-2.5	1.8	-1.6	0.8	-1.0
Canada	4.0	5.0	4.8	6.9	2.0	11.5	(1)	33.2	-2.7	5.1	3.0	1.0	(1)
Germany	1.3	2.8	2.7	4.2	1.4	1.4	3.2	2.1	1.7	1.6	2.9	4.2	6.5
United Kingdom	4.9	7.8	9.5	6.1	5.2	4.4	4.1	4.5	4.4	5.3	2.3	3.7	7.4
France	2.7	3.5	3.4	4.4	1.7	2.4	1.9	4.7	2.2	1.1	1.4	2.8	2.9
Italy	5.0	6.6	6.1	6.9	6.1	6.9	6.2	6.8	8.6	4.7	5.7	6.3	7.8

[1] Not available.

Note— Data presented for Germany includes information only for what was once West Germany. When data for the combined Germanys are available they will be used.
Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, July 26, 1991

Unemployment rates, (total labor force basis)[1] by selected countries and by specified periods, January 1988-June 1991

Country	1988	1989	1990	1990 IV	1990 Dec.	1991 I	1991 II	1991 Jan.	1991 Feb.	1991 Mar.	1991 Apr.	1991 May	1991 Jun.
United States	5.4	5.2	5.4	5.8	6.0	6.4	6.7	6.1	6.4	6.8	6.5	6.8	6.9
Japan	2.5	2.3	2.1	2.1	2.0	2.1	(4)	2.0	2.0	2.1	2.1	2.0	(4)
Canada	7.7	7.5	8.1	9.1	9.3	10.1	10.3	9.6	10.2	10.4	10.1	10.2	10.5
Germany	6.2	5.6	5.2	4.8	4.7	4.5	4.5	4.5	4.5	4.4	4.4	4.5	4.5
United Kingdom	8.2	6.4	6.4	6.7	7.0	8.1	9.1	7.7	8.1	8.5	8.9	9.2	9.4
France	10.1	9.9	9.2	9.2	9.3	9.2	9.6	9.2	9.2	9.3	9.4	9.6	9.7
Italy[2]	7.8	7.7	6.9	6.8	(3)	6.8	6.9	(3)	(3)	(3)	6.9	(3)	(3)

[1] Seasonally adjusted; rates of foreign countries adjusted to be comparable with U.S. rate.
[2] Many Italians reported as unemployed did not actively seek work in the past 30 days, and they have been excluded for comparability with U.S. concepts. Inclusion of such persons would increase the unemployment rate to 11-12 percent in 1986-1990.
[3] Italian unemployment surveys are conducted only once a quarter, in the first month of the quarter.
[4] Not available.

Source: *Unemployment Rates in Nine Countries*, U.S. Deapartment of Labor, August 1991.

Money-market interest rates,[1] by selected countries and by specified periods, January 1988-July 1991

(Percentage, annual rates)

Item	1988	1989	1990	1990 IV	1990 Dec.	1991 I	1991 II	1991 Jan.	1991 Feb.	1991 Mar.	1991 Apr.	1991 May	1991 Jun.	1991 Jul.
United States	7.8	9.3	8.3	8.1	7.8	6.8	6.1	7.2	6.5	6.5	6.1	6.0	6.1	5.9
Japan	4.4	5.3	6.9	7.5	7.7	7.7	(2)	(2)	7.7	7.7	7.6	(2)	(2)	(2)
Canada	9.6	12.2	13.0	12.3	11.9	10.5	9.2	11.1	10.4	9.9	9.6	9.1	8.8	(2)
Germany	4.3	7.0	8.5	8.9	9.2	9.1	9.0	9.3	9.0	9.1	9.1	8.9	9.0	(2)
United Kingdom	8.9	13.3	14.8	13.8	13.8	13.1	11.5	13.9	13.1	12.4	11.8	11.4	11.2	(2)
France	7.9	9.2	10.3	10.1	10.2	9.7	9.3	10.3	9.6	9.4	9.2	9.2	9.6	(2)
Italy	11.0	12.7	12.7	13.0	14.0	14.0	11.7	11.1	12.3	12.4	11.9	11.5	11.5	(2)

[1] 90-day certificate of deposit.

[2] Not available.

Note— Data presented for Germany includes information only for what was once West Germany. When data for the combined Germanys are available they will be used.

Source: *Federal Reserve Statistical Release, April 22, 1991 Economic and Energy Indicators*, Central Intelligence Agency, July 26, 1991.

Effective exchange rates of the U.S. dollar, unadjusted for inflation differential, by specified periods, January 1988-June 1991

(Percentage change from previous period)

Item	1988	1989	1990	1990 IV	1990 Dec.	1991 I	1991 II	1991 Jan.	1991 Feb.	1991 Mar.	1991 Apr.	1991 May	1991 Jun.	1991 Jul.
Unadjusted:														
Index[1]	88.0	91.3	86.5	81.7	82.2	82.8	87.7	82.2	81.1	87.4	86.8	87.3	89.0	88.9
Percentage change	-6.5	6.4	-5.3	-4.2	1.3	1.3	5.6	0	-1.3	7.2	-.7	.6	1.9	-.1
Adjusted:														
Index[1]	87.4	91.8	88.1	84.1	84.7	85.2	89.6	84.9	84.0	85.1	89.1	89.3	90.5	90.2
Percentage change	-4.8	6.8	-4.0	-3.1	1.5	1.3	4.9	.2	-1.1	1.3	4.5	.2	1.6	-.3

[1] 1980-82 average=100.

Note.—The foreign-currency value of the U.S.dollar is a trade-weighted average in terms of the currencies of 15 other major nations. The inflation-adjusted measure shows the change in the dollar's value after adjusting for the inflation rates in the United States and in other nations; thus, a decline in this measure suggests an increase in U.S. price competitiveness.

Source: Morgan Guaranty Trust Co. of New York, August 1991.

19

Trade balances, by selected countries and by specified periods, January 1988-June 1991

(In billions of U.S. dollars, f.o.b. basis, at an annual rate)

				1990			1991						
Country	*1988*	*1989*	*1990*	*III*	*IV*	*Dec.*	*I*	*Jan.*	*Feb.*	*Mar.*	*Apr.*	*May*	*Jun.*
United States[1]	-118.5	-109.1	-100.5	-104.4	-104.4	-75.9	-69.2	-88.5	-66.0	-48.8	-54.0	-57.4	-48.3
Japan	94.9	77.4	63.2	65.2	66.0	68.4	86.8	81.6	78.0	102.0	93.6	92.5	([3])
Canada	8.2	5.9	9.3	11.2	9.6	10.8	8.8	2.4	7.2	12.0	9.6	13.2	([3])
Germany[2]	72.9	72.0	60.4	50.0	32.8	26.4	10.8	-3.6	25.2	13.2	9.6	-7.2	([3])
United Kingdom	-37.5	-39.3	-32.0	-28.0	-23.2	-19.2	-21.6	-30.0	-16.8	-18.0	-18.0	-19.2	([3])
France	-5.5	-7.0	-9.4	-15.6	-13.6	-21.6	-10.8	-13.2	-8.4	-9.6	-4.8	-3.6	([3])
Italy	-11.1	-13.0	-11.8	-12.0	-17.2	4.8	-4.4	-20.4	-6.0	14.4	-20.4	-21.6	([3])

[1] 1986, exports, f.a.s.value, adjusted; imports, c.i.f. value, adjusted. Beginning with 1987, figures were adjusted to reflect change in U.S. Department of Commerce reporting of imports at customs value, seasonally adjusted, rather than c.i.f. value.

[2] Imports, c.i.f value, adjusted.

[3] Not available.

Note— Data presented for Germany includes information only for what was once West Germany. When data for the combined Germanys are available they will be used.

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, July 26, 1991 and *Advance Report on U.S. Merchandise Trade*, U.S.Department of Commerce, July 18, 1991

U.S. trade balance,[1] by major commodity categories,and by specified periods, January 1988-June 1991

(In billions of dollars)

				1990			1991						
Country	*1988*	*1989*	*1990*	*IV*	*Dec.*	*I*	*II*	*Jan.*	*Feb.*	*Mar.*	*Apr.*	*May*	*Jun.*
Commodity categories:													
Agriculture	13.9	17.9	16.3	4.2	1.4	4.4	2.8	1.2	1.6	1.6	1.0	1.0	.8
Petroleum and selected product—(unadjusted)	-38.1	-44.7	-54.6	-16.2	-4.3	-10.4	-10.0	-4.5	-2.8	-3.1	-3.3	-3.3	-3.4
Manufactured goods	-146.1	-103.2	-90.1	-24.3	-5.3	-14.7	-10.5	-5.8	-5.7	-3.2	-3.6	-3.3	-3.6
Selected countries:													
Western Europe	-12.5	-1.3	4.0	.6	1.6	5.7	5.1	1.1	1.4	3.2	2.1	1.3	1.7
Canada[2]	-9.7	-9.6	-7.5	-2.8	-.9	-1.4	-1.0	-.4	-.5	-.5	-.2	-.3	-.5
Japan	-51.7	-49.0	-41.0	-11.7	-3.4	-10.3	-8.9	-3.5	-3.2	-3.6	-3.3	-2.4	-3.2
OPEC (unadjusted)	-8.9	-17.3	-24.3	-7.1	-1.9	-4.3	-3.3	-2.0	-1.3	-1.0	-1.0	-1.3	-1.0
Unit value of U.S. imports of petroleum and selected products (unadjusted)[3]	$18.12	$16.80	$20.34	$28.20	$25.70	$19.57	$16.44	$22.98	$18.58	$17.15	$16.40	$16.55	$16.39

[1] Exports, f.a.s. value, unadjusted.1986-88 imports, c.i.f. value, unadjusted; 1989 imports, customs value, unadjusted.

[2] Beginning with February 1987, figures include previously undocumented exports to Canada.

[3] Beginning with 1988, figures were adjusted to reflect change in U.S.Department of Commerce reporting of imports at customs value, seasonally unadjusted, rather than c.i.f. value.

Source: Advance Report on U.S. Merchandise Trade, U.S. Department of Commerce, August 16, 1991.

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